

Agenda  
Item  
**20.2**

**Audit Committee**

**Annual Report**

**Financial Year 1 April 2021 to 31 March 2022**

**May 2022**

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## 1 Period covered by the report

This report covers the work of the Audit Committee for the financial year 1 April 2021 to 31 March 2022.

## 2 Introduction

The Audit Committee (Committee) has been formally established by the Board of Directors as one of its sub-committees. The Committee provides an independent and objective review of the Trust's internal controls.

It seeks high-level assurance on the effectiveness of:

- the Trust's governance (corporate and clinical)
- risk management, and
- systems of internal control.

It reports to the Board on its level of assurance gained. The Committee receives assurance from the Executive Management Team and other areas of the organisation through reports, both regular and bespoke. It validates the information it receives through the work of Internal Audit, External Audit, and Local Counter Fraud.

Should the Trust's External Auditors (currently KPMG) carry out any non-audit work, the Audit Committee has responsibility for ensuring that their independence is maintained. The Committee will do this by reviewing and approving the scope of the work and the fees charged prior to the work being undertaken.

This report covers the work the Committee has undertaken at formal meetings held during 2021/22. It seeks to assure the Board on the work it has carried out and the assurances it has received, and to demonstrate that it has operated within its Terms of Reference.

The Committee has responded as a result of the COVID-19 pandemic to ensure that business continuity remains as appropriate for the Committee. Formal reports on the Trust's business continuity plans for all corporate governance meetings have been presented to the Board of Directors. The Board formally agreed to establish standing items on each corporate governance meeting for: COVID-19 Update; and Management of Deferred Items.

Secretariat support is provided by the Corporate Governance team, who work with the Director of Corporate Affairs and Deputy Director of Finance in relation to agenda planning; minutes; managing cumulative action logs; and general meeting support.

### **Assurance**

The Committee receives assurance from the Executive and from the subject matter experts who attend the meetings as required dependant on the agenda items being discussed.

Assurance is also brought to the Committee through the knowledge that Non-Executive Directors gain from other areas of their work, not least their own specialist areas of expertise; attending Board, Council of Governors' and other sub-committee meetings; visiting services; and talking to colleagues.

Part of the Committee's assurance role is to receive the Board Assurance Framework (BAF); a primary assurance document for the Board, which details those key controls in place to ensure that the risks to achieving the strategic objectives are being well managed. The BAF lists those committees that are responsible for receiving assurance in respect of the effectiveness of those controls. The Committee reviews the BAF at each meeting prior to it being presented to the Board. Additionally, the agenda has been modified so that the BAF is appraised prior to other agenda items so these items can be viewed in the context of the BAF.

The Chair of the Committee provides an update report to Council of Governors meetings held in public on the activities of the Committee, including areas where assurance had been received and areas requiring further development. This provides the Governors with an opportunity to hear more on the work of the Trust and see the Non-Executive Director fulfilling their role.

Non-Executive Director members of the Committee independently meet both Internal and External Auditors to receive additional assurance. The meetings are convened as required throughout the year and can be on specific topics nominated by Committee members or the auditors.

### **3 Terms of Reference**

The Terms of Reference for the Committee were refreshed in February 2022, with no significant changes made.

A Committee Effectiveness Review was conducted in September 2021. The survey results suggested that there was a high degree of process and control across the Audit Committee, and it was effective in how it discharged its duties.

#### **4 Meetings of the Committee**

In 2021/22, the Committee met independently five times. The dates of the meetings are as follows:

- 6 May 2021
- 8 June 2021
- 2 September 2021
- 4 November 2021
- 8 February 2022

The draft agenda for each meeting is presented to the Chair of the Committee, the Director of Finance, Contracting and Estates, and the Deputy Director of Finance by the Committee Secretariat.

Paperwork for the Committee is circulated seven calendar days prior to the meeting taking place. All actions pertaining to the meetings of the Committee are tracked on a cumulative action log and presented to each meeting for assurance on progress made. Overdue internal audit actions are challenged and escalated to the Board as appropriate.

A log of deferred items was initiated when all Committees were asked to reduce their agendas in response to the COVID-19 pandemic to ensure the workforce could concentrate on service users and carers. Any agenda items that have been deferred for any reason are managed on the deferred items log to provide assurance that all workplan and agenda items will be presented to Committee.

#### **5 Membership of the Committee and attendance at meetings**

Membership of the Committee is made up of three Non-Executive Directors.

The Chair of the Trust may not be a member of the Committee to ensure that their independence is maintained. The Director of Corporate Affairs; Director of Finance, Contracting and Estates; Internal Audit; External Audit; Local Counter Fraud; Deputy Director of Finance; and the Corporate Governance Manager and Deputy Trust Board Secretary attend each meeting.

The Committee is chaired by a Non-Executive Director (NED). Andrew Chang has held the position since December 2019. The minimum number of members for a meeting to be quorate is two. Attendees do not count towards quoracy. If the Chair is unable to attend the meeting, and if otherwise quorate, the meeting will be chaired by one of the other non-executive directors.

Maz Ahmed and Simon Lewis are the other NED members of this Committee; Maz Ahmed joined the Committee in May 2020 and Simon Lewis in February 2021.

Subject area experts are also invited to attend the meetings as appropriate, to provide expertise and knowledge on the areas that they are responsible for. On

these occasions, they are attendees and do not count towards membership of the Committee at those meetings as outlined in the Terms of Reference.

The Trust also invites Governors to observe Board sub-committee meetings. This opportunity allows Governors to observe the work of the Committee, rather than to be part of its work as they are not part of the formal membership of the Committee. Governors observe Board sub-committee meetings in order to get a better understanding of the work of the Trust and to observe Non-Executive Directors appropriately challenging the Executive Directors about the operational performance of the Trust.

The tables included at Appendix 1 show attendance for substantive members of the Committee and other attendees for the meetings that took place during 2021/22.

## 6 Reports made to the Board of Directors

The Chair of the Committee makes an Alert, Advise, Assure escalation report regarding the most recent meeting of the Committee to the next available Public Board of Directors' meeting and Council of Governors meeting. This report seeks to assure the Board on the main items discussed by the Committee and, should it be necessary, to escalate to the Board any matters of concern or urgent business which the Committee is unable to conclude. The Board may then decide to give direction to the Committee as to how the matter should be taken forward or it may agree that the Board deals with the matter itself.

Where the Board wants greater assurance on any matters that are within the remit of the Terms of Reference of the Committee, the Board may ask for these to be looked at in greater detail by the Committee.

The below table outlines the date that the assurance and escalation report was presented by the Chair of the Committee to the Board of Directors' meeting held in public. In addition, a copy of Committee-ratified minutes is presented to the Trust Board for information.

<b>Date of meeting</b>	<b>Assurance and escalation report to Board by Chair</b>	<b>Ratified minutes presented to Board</b>
06 May 2021	13 May 2021	08 June 2021
08 June 2021	08 June 2021	08 July 2021
02 September 2021	09 September 2021	14 October 2021
04 November 2021	11 November 2021	13 January 2022
08 February 2022	10 March 2022	12 May 2022

Each year, the Committee presents an annual report to the Board of Directors to provide assurance on how the Committee has carried out activity in line with its Terms of Reference. Each Board sub-committee also provides a Chair's Report to the formal Council of Governors meetings. The reports outline areas where assurance had been received by the Committee and those areas requiring further development. This provides an opportunity for the Governors to further

understand the work of the Trust whilst observing the Non-Executive Directors fulfilling their role.

## **7 The work of the Committee during the year 1 April 2021 until 31 March 2022**

The Chair of the Committee confirms that during 2021/22 the Committee has carried out its role in accordance with its terms of reference. Further details of all these areas of work can be found in the minutes and papers of the Committee.

A high-level presentation of areas of work on which the Committee has received assurance and during 2021/22 are included in Appendix 2.

## **8 Conclusion**

As the primary governance sub-committee of the Board of Directors the Audit Committee preserved its independence from operational management by not having executive membership (although members of the Executive Management Team support the Committee by providing information and context only). It added value by maintaining an open and professional relationship with Internal Audit; External Audit; and Local Counter Fraud. It carried out its work diligently, discussed issues openly and robustly, and kept the Board apprised of any possible issues or risks. The Committee reviewed its work programme throughout 2021/22 to prioritise areas of work and free up capacity during the pandemic, with deferred items being managed and agreed at each Committee meeting.

The Chair of the Audit Committee considers that the Committee has fulfilled its role as the Board of Directors' senior governance committee and provided assurance to the Board on the adequacy and effective operation of the organisation's risk management and internal control systems.

Members of the Audit Committee would like to thank all those who have responded to its requests during the year and who have supported it in carrying out its duties.

The Board is asked to recognise how the Committee supports the ongoing continuous improvement journey both at the Trust and on its own effectiveness.

**May 2022**

**Andrew Chang**    **Non-Executive Director and Chair of the Committee**  
**Claire Risdon**    **Deputy Director of Finance**

## Appendix 1 Attendance at Committee Meetings

### Key:

✓ shows attendance

■ shows when the individual was not in attendance or not eligible to attend the meeting.

### Attendance at Committee meetings by Substantive Members

Members		06-May-21	08-Jun-21	02-Sep-21	04-Nov-21	08-Feb-22
Andrew Chang	Chair (NED)	✓	✓	✓	✓	✓
Simon Lewis	NED	✓	✓	■	✓	✓
Maz Ahmed	NED	✓	✓	✓	✓	✓

### Attendance at Committee meetings by formal attendees

### Key:

✓ shows attendance

■ shows when the individual was not in attendance or not eligible to attend the meeting

Attendees		06-May-21	08-Jun-21	02-Sep-21	04-Nov-21	08-Feb-22
Mike Woodhead	Director of Finance, Contracting and Estates (ED)	✓	✓	✓	✓	✓
Patrick Scott	Chief Operating Officer (ED)	■	■	■	■	■
Therese Patten	CEO	■	✓	■	■	■
Claire Risdon	Deputy Director of Finance	✓	✓	✓	✓	✓
Paul Hogg	Director of Corporate Affairs	✓	✓	✓	✓	✓
Leanne Sobratee	Internal Audit	✓	✓	✓	✓	✓
Sharon Blackburn	No longer covers for Leanne's maternity leave	✓	■	■	■	■
Lee Swift	Local Counter Fraud	✓	✓	✓	✓	✓
Helen Kemp-Taylor	Left - Helen Higgs replaced in December 2021	✓	✓	✓	✓	■
Helen Higgs	Internal Audit	■	■	■	■	✓
Abbas Badar	External Audit	✓	■	■	■	■
Rashpal Khangura	External Audit	✓	■	✓	✓	✓
Matthew Ackroyd	External Audit	■	✓	■	■	■
Monazzah Samad	External Audit	■	■	■	■	✓
Aisha Karim	Corporate Governance Team	✓	✓	✓	✓	■
Philippa Hubbard	Director of Nursing, Professions and Care Standards	✓	■	■	■	■



Attendees		06-May-21	08-Jun-21	02-Sep-21	04-Nov-21	08-Feb-22
Susan Ince	Deputy Director of Planning and Performance	✓				
Jacqueline Rigby	Serious Incidents, Complaints and Claims Manager	✓				✓
Claire White	Human Resources	✓				
Sharon Burkey	Human Resources		✓			
Nicola Mortimer	Quality & Compliance Manager		✓		✓	
Rachel Howitt	Head of Patient Safety, Compliance and Risk			✓		✓
Cathy Elliott	Chair of the Trust		✓			

The Committee also extends an invitation to Governors and regulators to observe its business. During 2021/22 the following attended main business meetings in the capacity of observers.

Key:

✓ shows attendance

■ shows when the individual was not in attendance or not eligible to attend the meeting

Observers		06-May-21	08-Jun-21	02-Sep-21	04-Nov-21	08-Feb-22
Clare Fell	CQC			✓		
Pamela Shaw	Lead Nurse Workforce Resilience			✓		

## **Appendix 2 Areas of Work Considered by the Committee**

### Quality Report:

- At its June 2021 meeting reviewed the Quality Report for 2020/21 before being presented to the Board of Directors for approval. The usual audit report was not required for the Quality Report 2020/21 as per national guidance.

### Risk Management:

- The Director of Nursing, Professions and Care Standards Directorate presents a litigation report bi-annually to the Committee.

### Board Assurance Framework:

- Received the Board Assurance Framework for assurance on both the content and the process.
- As part of the 2021/22 Internal Audit Plan, and to further improve the visibility of Board assurance, work was discussed to develop an initial Assurance Map which will allow the Trust to test the work undertaken on the Board Assurance Framework (BAF) and Operational Risk Register. Due to other pressures within internal audit, this work is now planned for early 2022/23.

### Annual Report and Accounts for 2020/21:

- The Annual Report and Accounts for 2020/21 were reviewed prior to being presented to the Board of Directors for adoption in June 2021.
- The ISA 260 (which is the report to those charged with governance on the annual accounts) was also received and the findings from the audit of the annual accounts discussed, including the conclusion that the accounts have been prepared on a going concern basis.
- The Value for Money Assessments was received, and the findings were discussed.
- Reviewed the wording for the year-end Letter of Representation.
- The Head of Internal Audit Opinion and the Annual Governance Statement were reviewed and found to be consistent.

### Internal Audit:

- The Committee received the results of the Audit Committee Effectiveness Review 2021
- Approved the Internal Audit Annual Plan.
- Received internal audit progress reports on a regular basis to update the committee on the major findings, with assurance being provided on the actions taken to address any weaknesses in the systems of control.
- The Internal Audit Annual Report was received which brought together all the findings from across the year.
- In addition to the update reports received from Internal Audit the committee also received specific assurances from the lead Executive Directors in respect of “limited assurance” reports. The lead Executive Directors assured the committee on the actions being taken to address the recommendations and also on the progress against those actions.

#### Local Counter Fraud:

- Approved the Local Counter Fraud Annual Plan.
- Received assurances about the processes in place to tackle fraud and bribery.
- Local Counter Fraud progress reports were received on a regular basis in respect of those cases that can be reported to the Committee in order to update the Committee on the major findings and any lessons learnt from individual cases.
- The Local Counter Fraud Annual Report was also received which brought together to work from across the year.
- Received regular fraud awareness newsletters and notices.

#### External Audit:

- Reviewed and approved the work plan and the associated fee.
- Received regular update reports about the work of the auditors and also information about changes within the health sector which will impact on the Trust.
- Received details of relevant sector updates along with assurances on how the executive directors had implemented or taken account of the guidance contained in the update report.

#### Action Tracking:

- Received regular reports in respect of progress with the implementation by managers of agreed audit recommendations and sought assurance on progress in particular with a number of outstanding actions. The Committee also received specific assurance on the process for dealing with and monitoring outstanding actions.

#### Registers:

- The Committee reviewed the Hospitality, Sponsorship and Gifts Register to ensure the appropriateness and completeness of the content.
- Reviewed the waiver of standing orders and standing financial instructions; proposed write-off of outstanding debt; and losses and special payments registers.

#### Other governance items:

- Received COVID-19 update at each Committee meeting.
- Considered the management of deferred items from the Audit Committees workplan.
- Reviewed and approved changes to the Standing Financial Instruction and Standing Orders.
- Received the Annual Report for Information and Data Assurance.
- Received assurance on Annual Litigation Report and in year updates.
- Presentation of the Charitable Funds Committee Annual Report and Account, ISA 260 and Letter of Representation.
- Received assurance on the Policy Ratification Process.
- Received the report outlining the accounting treatment for Operating Leases under International Financial Reporting Standard 16
- Received an update on the requirements for Related Party Transactions.
- Agreed the Assurance and Escalation Report to Trust Board.